



NOV 26 1999

University of Toronto

EXCHANGE

A NEWSLETTER FOR MEMBERS OF THE ONTARIO TEACHERS' PENSION PLAN

READY

Y2K

Story on page 2

Reduced workload ineligible for credit purchase

The Supreme Court of Canada recently refused to hear an appeal regarding the eligibility of teachers to buy pension credit for reduced workload.

The decision, which took about eight years to wind its way through the review and judicial process, means part-time teachers cannot purchase pension

credit for the portion of the time they are not working.

The court's decision not to hear the appeal effectively upheld the Ontario Court of Appeal's interpretation of the *Teachers' Pension Act*, which denied teachers on a reduced workload the opportunity to buy credit for the portion of the day or week they were not working. ■

DEPENDENT CHILDREN RECEIVE YOUR SURVIVOR BENEFITS

*"I hear my kids won't
get any part of
my pension when I die?"*

If you don't have an eligible spouse at the time of your death, your dependent children receive your survivor benefits.

Children are considered dependent if they are:

- under 18 years of age, or
- 18 or older, but less than 25 and in full-time, continuous education, or
- disabled.

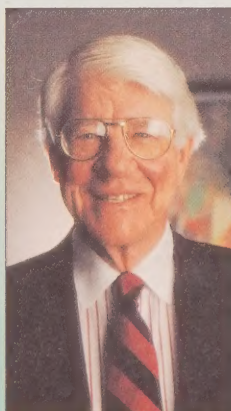
The type and amount of the pension they are entitled to receive will depend on your years of service and whether you die before or after going on pension.

Continued on page 6

Medland to retire

*Edward (Ted) Medland,
Chair of the Board of Directors,
will retire on December 31, 1999.*

Story on page 5



INSIDE THIS ISSUE

- 2 Teachers' disability pension
- 2 Indexed pensions provide quiet protection
- 3 407 bonds are concrete match for pensions
- 4 How we invest—Bonds



HAVE *Your* SAY...

DISABILITY PENSIONS

"I didn't realize the Teachers' pension plan provides a disability pension. ... This has been a godsend for me. Please let other teachers know about this benefit."


S.M. Hamilton

There are two types of disability pensions available: Full disability pension—the teacher cannot work; Partial disability pension—the teacher can work, but not in education.

The full disability pension is calculated like an unreduced pension ($2\% \times \text{credit} \times \text{average best-five years' salary} = \text{unreduced pension}$); while the partial disability pension is calculated like

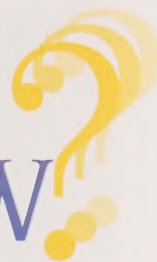
a reduced pension (unreduced pension, minus 2.5% per point from the 85 factor).

To be eligible for a disability pension, your doctor must provide a statement of your medical condition. Our medical expert then reviews the information and determines your eligibility. You must also have at least 10 years of qualifying service. Teachers can begin collecting a disability pension immediately, even if they are not yet 55.

Teachers usually use up their accumulated sick days and long-term disability benefits before applying for a disability pension. In this way, teachers continue to accumulate pension credit. 

Did you

KNOW?




INDEXED PENSIONS

provide quiet protection against rising prices

Even during periods of relatively low inflation, most of us would agree that an indexed pension is a valuable benefit. Just how valuable is illustrated by the following example.

Allan retired in 1985 after a 35-year teaching career with a teachers' pension of \$26,600. Each year his pension was automatically adjusted for inflation using the Consumer Price Index (CPI). Today his teachers' pension is \$39,500, this despite the fact that for the last five years inflation has grown by an average of 1.3% per year. Without protection against inflation, the spending power (or real value) of his pension today would be only 67% of the original pension he received almost 15 years ago.

Teachers' is one of only a few pension plans that fully indexes pensions (to a maximum of 8% a year with the difference being carried forward to a year where inflation is less than 8%). 

READY
Y2K

"Your pension plan is Y2K ready.

Our information systems are ready for the year 2000," says

Al Reesor, Sr. Vice-President, Member Services and Chief Information Officer.

"If you plan to retire in January, or any time next year, your pension will be ready when you are."



Reesor

407 bonds provide concrete match for pensions

The Teachers' pension plan invested \$500 million in real return corporate bonds from 407 International Inc. in August.

The bonds pay interest at 5.3% plus the rate of inflation, with interest payments accrued for the first five years. So if inflation were to rise by 10%, the bonds would pay 15.3%.

Although Teachers' invested \$500 million, the value of the bonds is \$650 million, reflecting the agreement to accrue interest for the first five years. The bonds are structured like Government of Canada real return bonds and mature in 17 to 32 years.

"These bonds are an ideal match for the pensions we pay to Ontario's teachers. Both the bonds and

teachers' pensions are long term and include inflation protection," says Leo de Bever, Vice-President, Research and Economics.

407 International Inc., the issuer of the corporate bonds, is the sole shareholder of 407



de Bever

ETR. The 407 is an electronic toll highway which runs 69 km east-west just north of Toronto. The 407 International Inc. is

owned by a consortium comprised of the Spanish company Cintra Concesiones de Infraestructuras de Transporte, SNC-Lavalin and the Quebec public service pension fund manager, the Caisse dépôt et placement du Quebec. ■

TAKING TIME OFF?



Planning on taking time off to study? Travel? To spend time with your newborn?

Whatever the reason, if you

take an employer-approved leave of absence, you can continue to accumulate credit by contributing to the pension plan for the time you're away. *Buy Backs for Absences* is a new brochure that explains how you can make the most of your pension. If you would like to receive a copy, please telephone us.

MOVING?

DON'T FORGET TO SEND US YOUR NEW ADDRESS

Call (416) 226-2700 or 1-800-668-0105



DUDLEY DOOMSAVER

“My ex-spouse is not getting a penny of my pension.”

Not so, Dudley. However, your pension money cannot be touched until you are on pension or you quit teaching.

Pension benefits are included in the family assets when married couples separate or divorce.

In general, you may settle this claim by paying your spouse when you separate using cash and other assets. If there is an equalization claim, you may agree to split up to 50% of your pension when it starts.

If you separate before you go on pension, your spouse is ineligible for survivor benefits. However, if you separate after you go on pension, your spouse remains entitled to a survivor pension, even if you eventually remarry.

How we invest—the latest in a continuing series

Bonds give stability to fund

Fixed-income securities, or bonds, make up 30 percent of the invested assets of the plan. The remaining 70 percent are invested in equities, or stocks, including real estate.

The mix of fixed-income securities and equities investments is how the plan ensures a high probability that its investments

will grow at least as fast as its liabilities, which are pensions indexed to inflation. "The asset mix is crucial to long-term performance because more than 80 percent of the total investment returns depend on the asset-mix selected," says Neil Petroff, Vice-President, International Equity Indexes, Fixed Income and Foreign Exchange.

WHAT IS A BOND?

A bond or debenture is a written promise issued by a government or a public company promising to pay money at a stated rate of interest on the principal and repay the full amount within a specified time.

PORTFOLIOS

A large component of the fixed-income asset class is the non-marketable Ontario debentures.

The marketable bond portfolio consists of Government of Canada bonds, global bonds, corporate bonds (including convertible bonds

and high-yield unsecured notes) and money market securities.

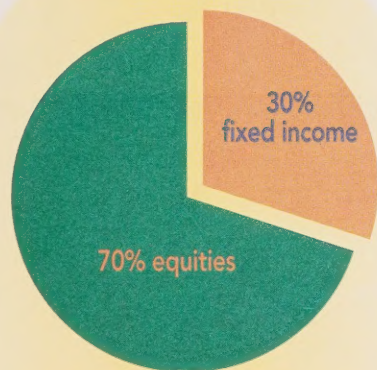
Long-term government and corporate bonds give stability to our asset mix.

REAL-RATE INVESTMENTS

Real-rate investments are an excellent match for our liabilities, which are pensions indexed to inflation. They are risk free with respect to inflation and may be guaranteed by governments.

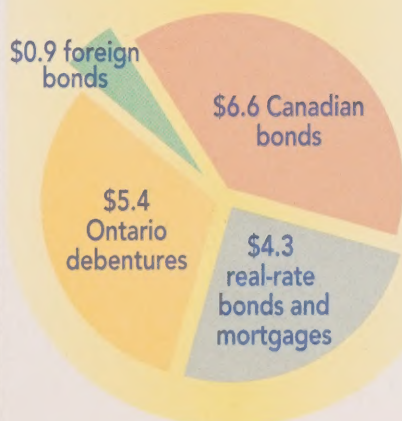
Real-rate assets, such as the \$500 million investment in 407 International Inc., are managed by Leo de Bever and the team of 12 investment professionals in the Research and Economics department.

Asset Mix Policy



Fixed Income

as at September 30, 1999
(\$ billions)



Neil Petroff, (on the left) Vice-President, International Equity Indexes, Fixed Income and Foreign Exchange; Sean Rogister, Department Head, Fixed Income, and a staff of eight other investment professionals manage the plan's \$17 billion bond portfolios.

Medland to retire from board

Edward (Ted) Medland, Chair of the Board of Directors, will retire on December 31, 1999. His successor has not yet been named.

Mr. Medland has been associated with the Board of Directors since it was established in 1990, and is the only member remaining from the original board. He served as chair of the board's Investment Committee before succeeding Gerald Bouey as chair in January 1996.

Mr. Medland spent his 38-year

career in finance at Wood Gundy, where he became chief executive officer in 1972 and chairman and CEO in 1978. Mr. Medland retired from Wood Gundy in 1988.

ROLE OF THE BOARD

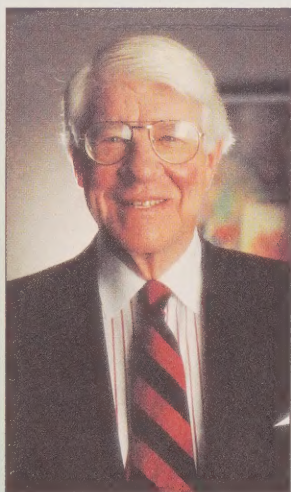
The Ontario Teachers' Pension Plan Board has a responsibility to administer the fund in the best interest of present and future teachers and their survivors.

This duty is vested in a nine-member board of directors. Four directors are appointed by the Ontario government and four are appointed by the Ontario Teachers' Federation. The ninth member, the chair, is jointly appointed.

The board of directors meets 11 times a year. Directors are appointed for a two-year term and may be re-appointed for up to four terms. By law, they are required to act independently of the plan sponsors to protect the interest of all beneficiaries of the plan.

The day-to-day management of the Teachers' pension plan is delegated by the Board of Directors to Claude Lamoureux, President and Chief Executive Officer, and his staff.

Changes to plan benefits are not made by the Board of Directors, but by the co-sponsors through the Partners' Committee, which is separate from the Teachers' pension plan. ■



Mr. Medland announced his retirement at the OTF Board of Governors meeting in August. He concluded his remarks with a few words of caution: "In life, timing is everything. I have been fortunate to serve as chair during the best of times. We are all geniuses when the markets are going up and up and up."

I hope my successor is as fortunate. Some day markets will enter prolonged bear phase. It is then, when losses are the order of the day, that your understanding and support will be necessary.

I thank you for your support over the years and I will leave with great memories of an exciting experience."

What is a QUALIFYING YEAR and how does it affect my pension?

Qualifying years are used to determine your eligibility for an unreduced pension. Your qualifying years are added to your age and if the number is equal or greater than your qualifying factor (currently 85), you're eligible to retire with an unreduced pension.

A minimum number of days taught in a given school year gives you one full qualifying year of service.

DAYS NEEDED FOR ONE QUALIFYING YEAR

As of Jan. 1, 1997
more than 10 days

Sept. 1, 1990 to Dec. 31, 1996
more than 20 days

Before Sept. 1, 1990
any teaching

The exception is when buying back credit for a leave of absence: qualifying service is counted as actual time. For instance, if you purchase four months of pension credit for an employer-approved absence, four qualifying months of service are added to your total.

Teachers sometimes confuse credit and qualifying years. One way to remember the difference is to think of credit as determining the *amount* of your pension, while qualifying years determines *when* you can retire.

Age + qualifying years
= Qualifying factor
(currently 85)

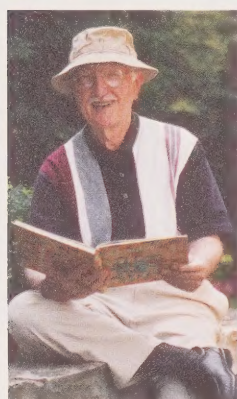
2% x credit
x average best-five years' salary
= Annual pension to age 65 ■

Real-life Retirement

The latest in a series featuring retired teachers who have found fulfilling ways to enjoy their retirement

Music flourishes in retired teacher


If you don't know John Wood, you may remember the popular



Songtime series of music books he co-authored (1963-68). John went on to become an elementary school principal in Peel region and retired in 1980.

Last year John and his

son Bob produced a CD of 20 original love songs reminiscent of the 1930s. The CD is entitled, "She has a way." John sings on all the tracks and his son plays the keyboard. You can hear a selection from the easy-listening CD by visiting www.bcsongs.com.

The two have been featured on the CBC radio program *Fresh Air*, and in several newspaper articles. They have also sold enough CDs to recover their costs. John has no immediate plans to produce another CD, but doesn't rule out the possibility. 

DEPENDENT CHILDREN SURVIVOR PENSION

Continued from page 1

Example:

Jane is a career teacher and a single parent of a 20-year old son attending university full time. Jane is 55, with 30 years of credit and an average best-five years' salary of \$65,000. Jane is already eligible to retire with an unreduced 85-factor pension.

Unreduced pension	\$39,000
CPP reduction at 65 (or death)	6,500
Pension after reduction	32,500
50% survivor pension	16,250

IF JANE WERE TO DIE BEFORE RETIREMENT

Jane's son would be entitled to a 50% survivor pension for as long as he remains eligible. In addition, the balance of the commuted value of


Jane's post-1986 credit, and the residual value of the pre-1987 contributions plus interest would go to her estate. If Jane's son were to be eligible until age 23, he would receive a 50% survivor pension of \$16,250 for each of the three years, plus the estate receives:

Balance of the CV (post-'86)	\$198,000
Residual value of contribution plus interest	120,000

IF JANE WERE TO DIE AFTER RETIREMENT

Jane's son would be entitled to a 50% survivor pension for as long as he remains eligible and the estate receives:


Residual value of contributions plus interest	188,000
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If Jane had more than one child, the benefits would be divided equally among the dependent children. 

UPCOMING OTF RETIREMENT WORKSHOPS

Attend an OTF weekend workshop and you'll gain useful tips to help you plan for retirement. A team of pension benefit specialists from the Teachers' pension plan will be there to give an overview of the plan and to answer your pension related questions in a private pre-arranged interview. For more information, call your local federation or association.

Workshop Schedule

Chatham	Nov. 26-27
Toronto	Jan. 21-22
Waterloo	Feb. 10-11
Aurora	Feb. 24-25
Sault Ste Marie	May 5-6 

EXCHANGE

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Ce bulletin est disponible également en français.



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